

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

ANNUAL AUDITED REPORT FORM X-17A-5 **PART III**

OMB APPROVAL

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Information Required of Brokers and Dealers Pur tesSection 17 of the Securities Exchange Act of 1934 and Rule 172-5

REPORT FOR THE PERIOD BEGINNIN	NG1/1/02	AND ENDING _	12/31/02
	MM/DD/YY		MM/DD/YY
A. I	REGISTRANT IDENTI	FICATION	
NAME OF BROKER-DEALER:			
Seaboard Securities, Inc.			OFFICIAL USE ONLY
,			FIRM ID. NO.
ADDRESS OF PRINCIPAL PLACE OF	BUSINESS: (Do not use P.0	O. Box No.)	TANKAD. NO.
25B Vreeland Road, Suite 305			
	(No. and Street)		
Florham Park	NJ	079	932
(City)	(State)		(Zip Code)
(ON))			
	F PERSON TO CONTACT	'IN REGARD TO THIS	REPORT
NAME AND TELEPHONE NUMBER O	F PERSON TO CONTACT		
	F PERSON TO CONTACT	9	73-514-1500
NAME AND TELEPHONE NUMBER O Anthony DiGiovanni		9	
NAME AND TELEPHONE NUMBER O Anthony DiGiovanni	F PERSON TO CONTACT	9	73-514-1500
NAME AND TELEPHONE NUMBER O Anthony DiGiovanni B. A	CCOUNTANT IDENT	9 (A IFICATION	73-514-1500
NAME AND TELEPHONE NUMBER O Anthony DiGiovanni B. A	CCOUNTANT IDENT	9 (A IFICATION	73-514-1500
NAME AND TELEPHONE NUMBER O Anthony DiGiovanni B. A INDEPENDENT PUBLIC ACCOUNTAN	CCOUNTANT IDENT	IFICATION d in this Report*	73-514-1500
NAME AND TELEPHONE NUMBER O Anthony DiGiovanni B. A INDEPENDENT PUBLIC ACCOUNTAN	CCOUNTANT IDENT T whose opinion is contained	IFICATION d in this Report*	73-514-1500
NAME AND TELEPHONE NUMBER O Anthony DiGiovanni B. A INDEPENDENT PUBLIC ACCOUNTAN J.H. Cohn LLP	CCOUNTANT IDENT T whose opinion is contained (Name - if individual, state last, first,	9 (A IFICATION ed in this Report* middle name)	73-514-1500 Area Code - Telephone No.)
NAME AND TELEPHONE NUMBER O Anthony DiGiovanni B. A INDEPENDENT PUBLIC ACCOUNTAN J.H. Cohn LLP 75 Eisenhower Parkway	CCOUNTANT IDENT T whose opinion is containe (Name - if individual, state last, first, Roseland	9 (F IFICATION d in this Report* middle name) NJ	73-514-1500 Area Code - Telephone No.) 07068-1697
NAME AND TELEPHONE NUMBER O Anthony DiGiovanni B. A INDEPENDENT PUBLIC ACCOUNTAN J.H. Cohn LLP 75 Eisenhower Parkway (Address) CHECK ONE: Certified Public Accountant	CCOUNTANT IDENT T whose opinion is containe (Name - if individual, state last, first, Roseland	9 (A IFICATION and in this Report* middle name) NJ (State)	73-514-1500 Area Code - Telephone No.) 07068-1697 (Zip Code)
NAME AND TELEPHONE NUMBER O Anthony DiGiovanni B. A INDEPENDENT PUBLIC ACCOUNTAN J.H. Cohn LLP 75 Eisenhower Parkway (Address) CHECK ONE: □ Certified Public Accountant ⊠ Public Accountant	CCOUNTANT IDENT T whose opinion is contained (Name - if individual, state last, first, Roseland (City)	IFICATION Id in this Report* middle name) NJ (State)	73-514-1500 Area Code - Telephone No.) 07068-1697 (Zip Code)
NAME AND TELEPHONE NUMBER O Anthony DiGiovanni B. A INDEPENDENT PUBLIC ACCOUNTAN J.H. Cohn LLP 75 Eisenhower Parkway (Address) CHECK ONE: Certified Public Accountant	CCOUNTANT IDENT T whose opinion is contained (Name - if individual, state last, first, Roseland (City)	IFICATION If in this Report* MAR essions.	73-514-1500 Area Code - Telephone No.) 07068-1697 (Zip Code)

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

Ι,	Anthony DiGiovanni	, swear (or affirm) that, to the
best of my kno	wledge and belief the accompanying financial state	ment and supporting schedules pertaining to the firm of
Seaboard Secu	rities, Inc.	, as of
December 31,	2002 are true and correct	. I further swear (or affirm) that neither the company
	, proprietor, principal officer or director has any prop	prietary interest in any account classified soley as that of
a customer, ex	cept as follows:	
		<u> </u>
		000
		Signature
	11	
2	. ///	President Title
of her	Mark	Title
- 1000	Notice Public	
NOT	LOBANNE E NOACK	
My C	ARY PUBLIC OF NEW JERSEY ommission Expires Oct. 17, 2006	
(a) Facing	contains (check all applicable boxes): page.	
_	nent of Financial Condition.	
	nent of Income (Loss).	
` '	nent of Cash Flows.	
	nent of Changes in Stockholders' Equity or Partners' of	
	nent of Changes in Liabilities Subordinated to Claims utation of Net Capital.	s of Creditors.
	utation for Net Capital. utation for Determination of Reserve Requirements P	Pursuant to Rule 15c3-3.
` '	nation Relating to the Possession or control Requirem	
• .		Computation of Net Capital Under Rule 15c3-1 and the
	utation for Determination of the Reserve Requiremen	
☐ (k) A Rec solidat		ents of Financial Condition with respect to methods of con-
	ith or Affirmation.	
	y of the SIPC Supplemental Report.	1
		r found to have existed since the date of the previous audit.

^{**}For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

INDEX

FACING PAGE

	PAGE
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	2
STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2002	3
STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2002	4
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY YEAR ENDED DECEMBER 31, 2002	5
STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2002	6
NOTES TO FINANCIAL STATEMENTS	7-11
SUPPLEMENTAL SCHEDULE REQUIRED BY RULE 17a-5 OF THE SECURITIES EXCHANGE ACT OF 1934:	
I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 DECEMBER 31, 2002	12-13
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROL REQUIRED BY SECURITIES AND EXCHANGE COMMISSION RULE 17a-5	14-15



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors Seaboard Securities, Inc.

We have audited the accompanying statement of financial condition of SEABOARD SECURITIES, INC. as of December 31, 2002, and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seaboard Securities, Inc. as of December 31, 2002, and its results of operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

J.H. Coke LLP

Roseland, New Jersey February 14, 2003



STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2002

ASSETS

Cash and cash equivalents Receivables from clearing organizations Securities owned Other assets	\$ 689,349 1,810,396 286,936 185,106
Total	<u>\$2,971,787</u>
LIABILITIES AND STOCKHOLDERS' EQUITY	
Liabilities: Accounts payable and accrued expenses Securities sold but not yet purchased Total liabilities	\$2,044,744 23,122 2,067,866
Commitments and contingencies	
Stockholders' equity: Preferred stock; various series; at aggregate redemption value and liquidation preference Common stock, at stated value; 15,000 shares authorized; 200 shares issued Additional paid-in capital	1,130,000 65,200 1,097,117
Accumulated deficit Less treasury stock, 100 shares of common stock, at cost Total	(1,269,196) (119,200) 903,921
Total	\$2,971,787

STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2002

Revenues:	
Commissions	\$20,405,459
Gain on principal transactions	1,340,333
Other income	154,873
Total	21,900,665
Expenses:	
Compensation and benefits	9,783,697
Clearing and floor brokerage	11,072,255
Regulatory fees and expenses	84,617
Communications	525,443
Occupancy and equipment rental	129,082
Interest	16,840
General and administrative	<u>826,565</u>
Total	22,438,499
Net loss	\$ (537 834)

SEABOARD SECURITIES, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY YEAR ENDED DECEMBER 31, 2002

	Paid-in lated Treasury Stock	Deficit	\$65,200 \$1,097,117 \$ (731,362) (100) \$(119,200) \$ 891,755	550,000	(537,834) (537,834)	\$1,097,117 \$(1,269,196) (100) \$(119,200) \$.903,921
	!	≠ı	\$65,200			\$65,200
	Common Stack	Shares	200		1	200
	Series Z	Shares Amount	15 \$150,000	5 50,000		20 \$200,000
	Series U	Shares Amount		20 \$500,000		20 \$500,000
Stock	1	mount Sha	000'001	•		100,001
Preferred Stock	Series	Shares A	10 \$1		1	10
	es P		\$50,000			\$50,000
	Series P	Shares	5		ı	ıaı
	Series A	Shares Amount Shares Amount	28 \$280,000			\$280,000
	Ser	Shares	28		}	28
			Balance, January 1, 2002	Issuance of stock	Net loss	Balance, December 31, 2002

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2002

Operating activities:	
Net loss	\$ (537,834)
Adjustments to reconcile net loss to net cash used in	•
operating activities:	
Depreciation	31,030
Changes in operating assets and liabilities:	
Receivables from clearing organizations	(312,664)
Receivable from broker-dealer	3,763
Securities owned	246,980
Refundable and prepaid income taxes	107,495
Other assets	(40,318)
Accounts payable and accrued expenses	(611,796)
Securities sold but not yet purchased	18,852
Payable to clearing organization	(197,510)
Net cash used in operating activities	(1,292,002)
Investing activities - purchases of office equipment	(25,749)
Financing activities - issuance of preferred stock	550,000
Net decrease in cash and cash equivalents	(767,751)
Cash and cash equivalents, beginning of year	<u>1,457,100</u>
Cash and cash equivalents, end of year	\$ 689,349
Supplemental disclosures of cash flow data: Interest paid	<u>\$ 16,840</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 - Business and summary of significant accounting policies:

Business:

Seaboard Securities, Inc. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission (the "SEC") and is a member of the National Association of Securities Dealers, Inc.

The Company has an agreement with another broker-dealer (the "clearing broker") to clear transactions, carry customers' accounts on a fully-disclosed basis and perform record keeping functions and, consequently, operates under the exemptive provisions of SEC Rule 15c3-3k(2)(ii).

During 2002, the Company changed the concentration of its business from a retail broker-dealer to predominantly inter-dealer fixed income and equity trading activities.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Securities transactions and valuations:

Securities transactions and related commission expenses are recorded on a trade-date basis.

The Company's securities owned and the securities sold but not yet purchased positions are concentrated in marketable equity securities. Those securities positions and its deposits in money market accounts are valued at market and unrealized gains and losses are included in results of operations.

Cash equivalents:

Cash equivalents are investments in money market funds.

Income taxes:

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the temporary differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The income tax provision is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

NOTES TO FINANCIAL STATEMENTS

Note 2 - Securities owned and securities sold but not yet purchased:

Securities owned (other than money market account shares) and securities sold but not yet purchased represent positions in marketable securities taken primarily for trading purposes in the ordinary course of business. A summary of those positions as of December 31, 2002 follows:

	Owned	Sold But Not Yet Purchased
Marketable securities, at market value: Common stocks U.S. Government obligations Other	\$ 32,942 237,614 16,380	\$23,122
Totals	<u>\$286,936</u>	<u>\$23,122</u>

Note 3 - Income taxes:

At December 31, 2002, the deferred tax assets attributable to the Company's temporary differences, and a related valuation allowance, were as follows:

Deferred tax assets:

Federal net operating loss carryforwards State and city net operating loss carryforwards Total	\$155,000 <u>128,000</u> 283,000			
Valuation allowance	(283,000)			
Total	\$			

As of December 31, 2002, the Company had net operating loss carryforwards of approximately \$457,000 for Federal income tax reporting purposes and \$1,417,000 for state and local income tax reporting purposes that expire at various dates through 2022. Due to the uncertainties related to, among other things, the extent and timing of future taxable income, the Company recorded an equivalent valuation allowance.

NOTES TO FINANCIAL STATEMENTS

Note 4 - Savings plan:

The Company maintains a savings plan pursuant to Section 401(k) of the Internal Revenue Code (the "Code") under which all employees meeting eligibility requirements qualify for membership. Subject to certain limits set forth in the Code, employees are permitted to make contributions to the plan on a pre-tax salary reduction basis, and the Company may make voluntary contributions.

Note 5 - Commitments and contingencies:

Operating leases:

The Company leases its office space and vehicles under operating leases that expire through September 2007. Office leases generally require the Company to pay real estate taxes and maintenance costs. Minimum future rental commitments under noncancelable leases in years subsequent to December 31, 2002 are as follows:

Year Ending December 31,	Amount
2003	\$ 77,100
2004	77,100
2005	77,100
2006	77,100
2007	12,850
Total	\$321,250

Rent expense under noncancelable operating leases was \$90,635 in 2002.

Litigation:

The Company is a party to various legal actions arising in the ordinary course of business. The Company is vigorously defending itself against these actions. In the opinion of management, the outcome of these actions could have a material adverse effect on the financial condition, results of operations, or cash flows of the Company.

NOTES TO FINANCIAL STATEMENTS

Note 6 - Financial instruments with off-balance-sheet risk:

The Company maintains cash deposits with banks and brokers. At times, such deposits exceed Federal or other applicable insurance limits. The Company reduces its exposure to credit risk by maintaining such deposits with major financial institutions and monitoring their credit ratings.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company's clearing broker extends credit to the customer, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customer's account. As a result of guaranteeing customer margin balances carried by the clearing broker, the Company may be exposed to off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses which the customer may incur. Margin accounts guaranteed by the Company had an average aggregate balance of \$858,353 during December 2002.

Securities sold but not yet purchased represent obligations of the Company to deliver the specified security at the contracted price and thereby create a liability to repurchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance-sheet risk as the Company's ultimate obligation to satisfy the sale of securities sold but not yet purchased may exceed the amount recognized in the statement of financial condition.

Additionally, the Company is exposed to off-balance-sheet risk of loss on transactions during the period from the trade date to the settlement date, which is generally three business days. If the customer fails to satisfy its contractual obligations to the clearing broker, the Company may have to purchase or sell financial instruments at prevailing market prices in order to fulfill the customer's obligations. Settlement of these transactions is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and clearing broker guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the customers to deposit additional collateral or to reduce positions when necessary.

Note 7 - Net capital requirements:

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2002, the Company had net capital of approximately \$708,000, which was \$572,000 in excess of its required net capital of approximately \$136,000. The Company's net capital ratio was 2.9 to 1.

NOTES TO FINANCIAL STATEMENTS

Note 8 - Preferred stock:

The Company may issue preferred stock in one or more series with the terms and preferences to be determined by the Company's Board of Directors. As of December 31, 2002, the Company was authorized to issue 2,500 shares of Series A preferred stock, 2,500 shares of Series C preferred stock and 10,000 shares of other preferred stock in various series. During 2002, the Company issued 5 shares of Series Z preferred stock and 50 shares of Series U preferred stock. Each share of Series A, Series C, Series P, Series T, Series U and Series Z preferred is without par value; is nonvoting; has a redemption price (which is subject to certain adjustments) and a liquidation preference of \$10,000 per share; and does not earn any dividends unless declared by the Company's Board of Directors.

Note 9 - Subsequent event:

In February 2003, the Company liquidated 30 Series U preferred shares for \$300,000.

SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION DECEMBER 31, 2002

Net capital:		
Total stockholders' equity		\$ 903,921
Deduct nonallowable assets and charges - other assets Net capital before haircuts on securities positions		<u>185,106</u> 718,815
Haircuts on securities positions: Other - trading and investment securities Other - money market funds Net capital	\$9,017 _1,524	10,541 \$708,274
·		
Aggregate indebtedness: Total liabilities Less securities sold but not yet purchased		\$2,067,866 (23,122)
Aggregate indebtedness		<u>\$2,044,744</u>
Computation of basic net capital requirement: Minimum net capital required (greater of 6-2/3% of aggregate indebtedness or \$100,000 minimum dollar net capital require-		
ment)		<u>\$ 136,316</u>
Excess of net capital		\$ 571,958
Excess of net capital at 1,000%		\$ 503,800
Ratio of aggregate indebtedness to net capital		2.9 to 1

SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION (Concluded) DECEMBER 31, 2002

Reconciliation with the Company's computation (included in Part IIA of Form X-17A-5) as of December 31, 2002: Net capital as reported in the Company's Part IIA (Unaudited) FOCUS report			\$	946,975
Decrease in net capital resulting from changes in: Haircuts on securities positions Audit adjustments, net:	\$	1,266		
Statement of financial condition reclassifications Statement of operations changes	•	36,458) 03,509)	_	(238,701)
Net capital per above			<u>\$</u>	708,274
Aggregate indebtedness as reported in the Company's Part IIA (Unaudited) FOCUS report			\$	1,873,146
Increase in aggregate indebtedness resulting from audit adjust- ments to increase accounts payable and accrued expenses and statement of financial condition reclassifications				171,598
Aggregate indebtedness per above			<u>\$2</u>	2,044,74 <u>4</u>



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROL

To the Board of Directors Seaboard Securities, Inc.

In planning and performing our audit of the financial statements and supplemental schedule of Seaboard Securities, Inc. as of and for the year ended December 31, 2002, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- 1. Making quarterly securities examinations, counts, verifications and comparisons
- 2. Recordation of differences required by Rule 17a-13
- 3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2002 to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc. and the other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

J. H. Coh. LLP

Roseland, New Jersey February 14, 2003